

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved on a no-objection basis by the Board of Directors on 13 December 2023¹

UZBEKISTAN

UZBEKISTAN PPP PROJECT DEVELOPMENT FACILITY

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

¹ As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report. For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

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ABBREVIATIONS / CURRENCY CONVERSIONS

ESDD	Environmental and Social Due Diligence
EvD	Evaluation Department
GDP	Gross Domestic Product
GET	Green Economy Transition
IFI	International Financial Institution
MEI	Municipal and Environmental Infrastructure
MoEF	Ministry of Economy and Finance
MoU	Memorandum of Understanding
PPP	Public-Private Partnership
PP&R	EBRD's Procurement Policies and Rules
RoU	Republic of Uzbekistan
SDG	UN Sustainable Development Goal
SI3P	Sustainable Infrastructure Policy & Project Preparation
TI	Transition Impact
TC	Technical Cooperation
UPDF	Uzbekistan PPP Project Development Facility
UZS	Uzbekistan Som
VAT	Value-Added Tax
VfM	Value for Money
YE	Year End

CURRENCY CONVERSION

(as of 25 October 2023)

EUR 1 = UZS 12,200

EUR 1 = USD 1.06

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of the Republic of Uzbekistan (the "Borrower") are submitted for consideration by the Board of Directors.

The facility will consist of a sovereign loan to the Borrower in the amount of up to EUR 10 million. The loan will consist of two tranches: Tranche 1 of up to EUR 5 million (committed) and Tranche 2 of up to EUR 5 million (uncommitted).

The operation will enable the Republic of Uzbekistan to fund its contribution to the new Uzbekistan PPP project development facility cooperation fund (the "UPDF Fund"), which will be established by the Bank to manage and administer Uzbekistan's contribution designated to finance consultancy and advisory activities for the preparation of infrastructure PPPs in Uzbekistan (the "Project"). The expected transition impact of the Project is associated with the "Competitive quality" through preparing PPP/concessions in accordance with positive Value for Money, as well as "Well-governed quality" through building capacity inside the government to implement infrastructure projects.

Under the proposed Project's structure the Bank is requested by the Borrower to manage the Project's implementation. The loan proceeds will be contributed by the Republic of Uzbekistan to the UPDF Fund which will be managed by the Bank including handling procurement of consultancy services, which will be undertaken in accordance with the Bank's Corporate Procurement Policy. Therefore, a derogation from EBRD's Procurement Policies and Rules (the "PP&R") is being requested for the Project to enable the application of the Bank's Corporate Procurement Policy instead of the PP&R for procurement of the Project's services.

I am satisfied that the operation is consistent with the Bank's Strategy for Uzbekistan, MEI Sector Strategy, Transport Sector Strategy and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan and a derogation from PP&R substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

UZBEKISTAN - Uzbekistan PPP Project Development Facility - DTM 53911	
Transaction / Board Decision	<p>Board approval² is sought for a sovereign loan of up to EUR 10 million in favour of the Republic of Uzbekistan (the "RoU") to fund the Government's contribution to the new UPDF Fund, which will be established to finance consultancy and advisory activities for the preparation of infrastructure PPPs in Uzbekistan (the "Project"). The loan will consist of two tranches: Tranche 1 of up to EUR 5 million (committed) and Tranche 2 of up to EUR 5 million (uncommitted). It is proposed that the decision to commit Tranche 2 is delegated to Management.</p> <p>Under the proposed Project's structure the Bank is requested by the Borrower to manage the Project's implementation. The loan proceeds will be contributed by the Republic of Uzbekistan to the UPDF Fund which will be managed by the Bank including handling procurement of consultancy services in accordance with the Bank's Corporate Procurement Policy. Therefore, a derogation from PP&R is being requested for the Project to enable the application of the Bank's Corporate Procurement Policy instead of the PP&R for procurement of the Project's services.</p>
Client	The Republic of Uzbekistan is the borrower.
Main Elements of the Proposal	<p>Transition impact:</p> <ul style="list-style-type: none"> – Primary Quality – Competitive. The Project is expected to foster the private sector participation in the provision of infrastructure services. The Value for Money (VfM) along with other economic benefits is expected to improve the competitiveness in the local economy; – Secondary Quality – Well-governed. The Project will build capacity inside the government by providing financial and human resources and reducing its dependence on IFIs over time to implement infrastructure projects. <p>Additionality:</p> <ul style="list-style-type: none"> – The Bank will provide long-term financing, which is presently not available from commercial banks; – The Bank will support the client in achieving best procurement standards for PPPs instead of proceeding with direct negotiations without competition. <p>Sound banking</p> <ul style="list-style-type: none"> – The RoU is the borrower.
Key Risks	<p><u>Borrower's creditworthiness.</u> The RoU is a creditworthy borrower, rated BB- by S&P and Fitch and B1 by Moody's. Its public debt is low and sustainable;</p> <p><u>Project implementation risk.</u> The risk of the RoU's potentially weak implementation capacity will be mitigated by the involvement of a PPP project manager hired by EBRD. The Bank will also manage the use of proceeds;</p> <p><u>FX risk.</u> The RoU is expected to be able to manage the FX risk effectively. It has stable hard currency inflows from exports and ample liquid external assets.</p>
Strategic Fit Summary	The proposed Project will facilitate the private sector participation in infrastructure development in line with the Bank's MEI Sector Strategy, Transport Sector Strategy and the Strategy for Uzbekistan. The Project is also in line with the "EvD: EBRD Public Sector Operations: Mobilising Private Sector Participation in Infrastructure". Recommendation 1 of the EvD report states the need for the Bank to "consider broadening the scope of traditional sovereign loans, subject to demand, to also include funding facilities such as project preparation...and provision of advice".

² Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	A sovereign loan of up to EUR 10 million to the Republic of Uzbekistan (the “RoU” or the “Borrower”) to fund its contribution to the new UPDF Fund, which will be established to finance certain consultancy and advisory services associated with preparing selected infrastructure PPPs in Uzbekistan (see “Use of Proceeds” section for more details). The loan will consist of two tranches: Tranche 1 of up to EUR 5 million (committed) and Tranche 2 of up to EUR 5 million (uncommitted). EBRD will set up and administer the UPDF Fund, the activities of which will be managed by Donor Partnerships together with the PPP Advisory Unit under SI3P (with the latter being in charge of selection, contracting and managing the consultants working on the preparation of PPPs in Uzbekistan).
Existing Exposure	Sovereign exposure to the RoU as of 31 October 2023: Portfolio is EUR 1,174 million (16 projects) [REDACTED].
Maturity / Exit / Repayment	A tenor of 12 years [REDACTED].
Potential AMI eligible financing	The PPPs prepared under this transaction will generate AMI for the amounts co-financed.
Use of Proceeds – Description	<p>The loan will finance the contribution of the RoU, as a donor, to the UPDF Fund to finance consultancy and advisory services associated with preparing of infrastructure PPPs in Uzbekistan in certain sectors agreed between EBRD and the Republic of Uzbekistan (the “Eligible Sectors”). The list of Eligible Sectors (see Annex 1 for more details) will be set in the Loan Agreement and any changes to such list would be subject to the Bank's prior approval.</p> <p>The specific PPP projects (the “Approved PPP Projects”) which will benefit from the UPDF Fund financing will be further agreed between the Ministry of Economy and Finance of the Republic of Uzbekistan (“MoEF”) and EBRD. The Approved PPP Projects shall be within the Eligible Sectors identified in the Loan Agreement. MoEF and EBRD will meet at least twice a year to agree on the list of the Approved PPP Projects and consultancy and advisory services that will be procured to support them.</p> <p>The consultancy and advisory services financed by the UPDF Fund will include, inter alia, identification and/or preparation of the Approved PPP Projects, including institutional support, transaction advisory services for development, procurement, negotiation, implementation, trainings, construction and operations of the Approved PPP Projects.</p>
Investment Plan	[REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	<ul style="list-style-type: none"> • Borrower and Contributor: Republic of Uzbekistan. • Ministry of Economy and Finance: a ministry responsible for facilitation, planning and implementation of PPPs. The MoEF will represent the Republic of Uzbekistan, acting in its capacity as donor/contributor to the UPDF Fund.
Conditions to subscription / disbursement	[REDACTED]
Key Covenants	[REDACTED]
Security/Guarantees	Sovereign loan
Other material agreements	<ul style="list-style-type: none"> • Cooperation Agreement between the Republic of Uzbekistan and EBRD in respect of the UPDF Fund.
Associated Donor Funded TC and co-	<p>A. Technical Cooperation (TC)</p> <p>Assuming funds are available, EBRD will continue to provide TC grants to support</p>

investment grants/concessional finance	<p>certain project preparation consultancy services (e.g. for initial pre-assessments and early due diligence of potential PPP projects) using the standard approach under the SI3P PPP Advisory Unit.</p> <p>B. Concessional Finance: None</p>
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[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

In April 2022, the Government of Uzbekistan adopted a comprehensive PPP programme worth over USD 15 billion (the “Programme”). The Programme includes more than 150 different projects in various sectors, including public infrastructure, transport, water supply and sanitation, social infrastructure, logistics and energy. Successful rollout of the Programme is dependent on appropriate project preparation supported by experienced transaction advisors and technical capacity on the public side. The Government of Uzbekistan requested EBRD’s help with the Programme’s implementation. To facilitate the PPP projects’ preparation, the EBRD and the Government of Uzbekistan have agreed to set up a framework of the Uzbekistan PPP Project Development Facility (the “UPDF”).

The EBRD sovereign loan, requested by the Republic of Uzbekistan, will finance the contribution of the Republic of Uzbekistan to the UPDF Fund, which will be established to finance certain consultancy and advisory services associated with preparing infrastructure PPPs in Uzbekistan within the framework of the UPDF. The Bank will not finance a concrete PPP project, but the costs of development of potential future PPP projects. The UPDF Fund will be set up, administered and managed by the EBRD (including selection, contracting and managing the consultants working on the preparation of PPPs in Uzbekistan). Therefore, the Project will help scale up the preparation of PPPs in the country and increase capacity of the Government of Uzbekistan to prepare infrastructure PPPs. [REDACTED].

The EBRD loan, which will finance Uzbekistan’s contribution to the UPDF Fund will be linked to preparing of up to nine priority PPP projects in different sectors. These include *inter alia* traditional sub-sectors as transport, water, and district heating infrastructure as well as novel ones: infrastructure for schools, kindergartens and dormitories. The list of the Eligible Sectors is provided in Annex 1. With financing from UPDF Fund, the PPP projects are expected to be prepared on a rolling, programmatic basis over the next 6-8 years. All projects, the preparation of which will be financed with the resources of the UPDF Fund, are expected to be Green and Paris-aligned. It should be noted that the Bank will not commit to finance any of the PPP projects, which will be prepared using the UPDF Fund resources.

The EBRD infrastructure portfolio in Uzbekistan is 100 per cent sovereign, as infrastructure is mainly state owned and there is a lack of properly prepared/tendered PPPs. The Project will be beneficial for the Bank as well, as it is expected to increase the number of PPPs that will reach the market for private financing. This is an important desire on the part of the Bank’s shareholders who have repeatedly called for the MDBs to mobilise large sums of private sector investment by devoting more attention to upstream advisory work to build robust pipelines of PPPs. It will also very likely benefit EBRD downstream lending in Uzbekistan, as there will be a larger number of viable PPP assets (prepared and tendered following EBRD policies) to finance where the Bank is additional.

The UPDF Fund is not a new concept. A similar facility was established by the Greek Government and the EBRD in 2020 with a EUR 20 million contribution provided by the Greek government funded from state budget as opposed to a loan from EBRD. It has been very successful: to date, seven PPP preparation efforts have been launched in Greece during the first 24 months of operations. In addition,

the Ministry of International Cooperation of Egypt has requested to establish a similar facility with EBRD.

The Project is consistent with the relevant sector strategies and the Bank's Country Strategy for Uzbekistan as it facilitates the private sector participation in infrastructure development of Uzbekistan. It is also in line with the recent EvD report "EBRD Public Sector Operations: Mobilising Private Sector Participation in Infrastructure". Recommendation 1 of the EvD report states the need for the Bank to "consider broadening the scope of traditional sovereign loans, subject to demand, to also include funding facilities such as project preparation...and provision of advice". The projects prepared with support of the UPDF Fund will contribute to many UN Sustainable Development Goals (SDGs), namely: SDG 3. Good Health and Well-being, SDG 4. Quality Education, SDG 6. Clean Water and Sanitation, SDG 7. Affordable and Clean Energy, as well as SDG 9. Industry, Innovation and Infrastructure, SDG 11. Sustainable Cities and Communities, SDG 12. Responsible Consumption and Production, and SDG 17. Partnerships for the SDGs.

1.2 TRANSITION IMPACT

The tables below set out the TI Objectives and details of the project.

Primary Quality: Competitive

Obj. No.	Objective	Details
1.1	The UPDF Fund will finance preparation of PPP/concessions in accordance with positive VfM designed to lead to investment that will be completed on time and within budget, and lead to full life-cycle benefits.	Well-structured and competitively tendered concession contracts are expected to provide VfM compared to standard public procurement and hence provide less costly infrastructure improvements to the local economy. The Project will foster the private sector participation in the provision of infrastructure services. The VfM along with other economic benefits is expected to improve the competitiveness of the local economy.

Secondary Quality: Well-Governed

Obj. No.	Objective	Details
2.1	The project will improve upon existing institutional-regulatory capacity to manage sound commercial solutions to the sector.	The Project will build capacity inside the government by providing financial and human resources and reduce its dependence on IFIs over time to implement infrastructure projects. It will create a dedicated team of additional PPP specialists to work on the ground in Tashkent, embedded alongside the Ministry of Economy and Finance.

Delivery Risks

The risk is low. EBRD will set up and administer the UPDF Fund, the activities of which will be managed by Donor Partnerships together with the PPP Advisory Unit under SI3P (with the latter being in charge of selection, contracting and managing the consultants working on the preparation of PPPs in Uzbekistan). The consultants to be financed from the UPDF Fund will be selected following the Bank's Corporate Procurement Policy.

1.3 ADDITIONALITY

Identified triggers	Description
No triggers identified	n/a
Additionality sources	Evidence of additionality sources
Financing structure <ul style="list-style-type: none"> EBRD offers a tenor and a grace period, which is above the market average and is necessary to structure the project. Public sector: EBRD investment is needed to close the funding gap. At the same time, EBRD does not crowd out other sources, such as from IFIs, government, commercial banks and/or complements them. 	EBRD will provide a loan with a 12-year tenor [REDACTED]. Such terms are not currently available from commercial banks.
Standard-setting: helping projects and clients achieve higher standards <ul style="list-style-type: none"> Client seeks/makes use of EBRD expertise on best international procurement standards. 	The EBRD Corporate Procurement Policy will be applied.
Knowledge, innovation, and capacity building <ul style="list-style-type: none"> EBRD provides expertise, innovation, knowledge and/or capabilities that are material to the timely realisation of the project's objectives, including support to strengthen the capacity of the client. 	The MoEF's PPP projects preparation capacity will be strengthened as part of the Project through creation of a dedicated team of additional PPP specialists.

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Borrower's creditworthiness	Medium/ High	The RoU is a creditworthy borrower rated BB- by S&P and Fitch and Ba3 by Moody's. Uzbekistan's public debt is low and sustainable. External government debt is estimated at 30.2 per cent of GDP in 1H2023. [REDACTED]. Strong foreign exchange reserves and low rollover risk (due to the long-term maturities) as well as the Government's plans to limit annual public debt commitments and overall public debt stock mitigate the risk of debt distress.
Implementation risk	High/ Medium	PPP transaction advisors funded from the UPDF Fund will assist the Government of Uzbekistan with PPP tender preparation. Application of EBRD's Corporate Procurement Policy should ensure selection of the experienced PPP consultants.
FX risk	Medium/ Medium	The RoU is expected to be able to manage the FX risk effectively. The RoU has stable hard currency inflows from exports and ample liquid external assets.

2. MEASURING / MONITORING SUCCESS

<i>Overall objectives of project</i>	<i>Monitoring benchmarks</i>	<i>Implementation timing</i>
<i>Using the financing of the UPDF Fund to prepare a pipeline of PPP projects and put them on the market</i>	[REDACTED]	[REDACTED]

Primary Quality: Competitive

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date	TC
1.1	PPP contract or concession implemented	A minimum number of tenders launched under the UPDF over a period of time	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Secondary Quality: Well-Governed

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date	TC
2.1	Institutional level capacity strengthened in target area	Capacity-building of the MoEF's staff to develop PPP projects	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER

EBRD will extend the loan to the RoU. The country is undergoing a major reform process, including FX market liberalisation, a tax and customs regime overhaul, and trade liberalisation. There are also profound changes to macroeconomic policy instruments, and various processes designed to strengthen competition in state-dominated sectors. The country's risk profile and growth trajectory are highly dependent on the authorities' ability to execute these reforms successfully.

Uzbekistan's public debt is moderate and sustainable. S&P³ and Fitch⁴ rate the RoU BB- (stable) and Moody's⁵ rates it Ba3 (stable). In February 2019, Uzbekistan tapped international bond markets with a debut USD 1.0 billion Eurobond placement composed of five-year and ten-year tranches. The total public and publicly guaranteed external debt ratio was 30.2 per cent of GDP in 1H2023. The risk of external debt distress is manageable given Uzbekistan's significant foreign exchange reserves, which exceed the government's borrowings. Although a significant portion of reserves consists of monetary gold and deposits in the Fund for Reconstruction and Development, which cannot be readily used to

³ June 2023.

⁴ August 2023.

⁵ August 2023.

defend against external shocks, Uzbekistan's reserves remain above standard measures of reserve adequacy. Debt servicing costs are low, as most of the debt is of a concessional and a long-term nature.

The economy has performed relatively well during the Covid-19 pandemic. In 2020, real GDP grew by 1.6 per cent due to construction and the export of gold. It further grew by 7.4 per cent in 2021, led by an expansion in industry, services, communication, transportation and retail.

3.2 MINISTRY OF ECONOMY AND FINANCE

MoEF via its PPP Development Department coordinates planning and implementation of PPPs, including under the UPDF. It supports line ministries to identify, develop, approve, and tender PPP projects. MoEF will be the EBRD's key counterpart for coordinating the UPDF Fund's operations from the Government's side. The PPP Development Department is properly staffed with mostly young professionals and external advisors, but it needs external support to deliver on the Programme.

4. MARKET CONTEXT

Law "On Public-Private Partnership" adopted in 2019 (the "PPP Law") is the main legislative act on implementation of PPP projects in the RoU. The PPP Law was developed with the technical assistance from the EBRD's Legal Transition Team. To date, MoEF has led to the implementation of a number of PPP projects in the sectors such as energy, health care and municipal infrastructure supported by IFIs such as the World Bank and the ADB. EBRD's cooperation to date with MoEF has been very productive. EBRD has signed a number of projects prepared by MoEF, incl. Samarkand Solar Power Plant, Nur Navoi Project, Syrdarya Power Project. The Bank is also working with MoEF to prepare new PPP projects in the road sector (Tashkent-Samarkand Road PPP), social infrastructure sector (Schools PPP, Dormitories PPP) as well as the energy sector (Karakalpakstan Wind Power Plant PPP).

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 MACROECONOMIC OUTLOOK

In 2022, real GDP grew by 5.7 per cent. Remittances more than doubled, enabling domestic demand. Growth was broad-based, with strong gains in construction, services, retail trade turnover. On March 10, 2022, the Cotton Campaign ended its call for a global boycott of Uzbek cotton, carrying a promise of further expansion in cotton and textile investment and exports. In 2022, exports of goods and services added 15.9 per cent year on year, while exports of machinery and equipment grew by 41 per cent year on year. Imports added 21 per cent year on year. In H1 2023, strong growth performance continued with GDP increased by 5.6 per cent year on year.

Uzbekistan's national currency temporarily depreciated in late-February-early March 2022, as a result of Russia's war on Ukraine, triggering a decision by the Central Bank of Uzbekistan to raise the policy rate by 300 basis points (to 17 per cent) in March 2022. The regulator's timely action helped the Sum to regain its pre-war value by late spring-early summer 2022. Inflation remained elevated throughout 2022, reaching 12.3 per cent in December. As international transportation and logistics bottlenecks got resolved, inflationary pressures gradually receded, enabling the Central Bank to decrease its policy rate to 14 per cent by March 16, 2023. By June 2023, inflationary pressures have significantly moderated, with CPI inflation coming down to 9.0 per cent.

Uzbekistan's fundamentals (strong external and fiscal buffers, low government debt and high growth relative to peers) bode well for the country's ability to weather the storm. Overall, it continues to

enjoy very strong economic development relying on a large and industrious labour force, domestic market size, strong and diversified manufacturing capacity and market-oriented reforms. The economy is forecast to grow at 6.5 per cent in 2023 and 2024. [REDACTED].

5.2 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

The Project is not categorised. However, each PPP project prepared using the resources of the UPDF Fund, if financed by EBRD, will be categorised on a case-by-case basis. Based on the project risk and category, appropriate environmental and social due diligence (ESDD) will be undertaken to ensure that each project under the UPDF is structured to comply with the EBRD's Performance Requirements. Key risks associated with PPP transactions in Uzbekistan may relate to biodiversity, water use and pollution, noise, land acquisition and resettlement, labour and working conditions, and cultural heritage. Adequate resources for ESDD and capacity building of the granting authorities will need to be provided. For PPP projects involving solar panels the due diligence should be carried out in line with the EBRD Performance Requirements. Paris alignment and physical climate risk will be assessed during due diligence of each PPP project.

6.2 INTEGRITY

The Bank conducted integrity due diligence on the MoEF, its key officials and other relevant parties.

[REDACTED]. All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the Project, and the Project files contain the integrity checklists and other required documentation, which have been properly and accurately completed to proceed with the Project.

6.3 OTHER ISSUES

6.3.1 CONFLICT OF INTEREST

To mitigate any potential conflict of interest arising out of the Bank's involvement on the preparation of the PPP projects and any subsequent involvement of the Bank in financing specific bidders/investors involved in such projects, as well as to avoid any risk that the Bank's support for any particular bidder/investor could compromise its independence and objectivity when preparing such projects and to control information flows, a formal separation will be required between the project team involved in the preparation of PPP projects (using UPDF funding) and the project team(s) who are or may be involved in financing of those PPP projects. The Bank will not be committed to financing any of the specific PPP projects that would benefit from the UPDF Fund's financing. [REDACTED].

6.3.2 DEROGATION FROM THE PP&R

The loan proceeds will be used by the Borrower to finance the Borrower's contributions to the UPDF Fund. EBRD will set up and administer the UPDF Fund, the activities of which will be managed by Donor Partnerships together with the PPP Advisory Unit under SI3P.

[REDACTED]. [T]he Borrower has requested the Bank to implement the Project on the Borrower's behalf. Therefore, the Bank will be de facto directly selected by the Borrower to provide certain services, i.e. project management, including procurement. The PP&R does allow for such option in limited circumstances and envisage the Bank's specific approval of such an arrangement. However, the Bank cannot be a judge on its own rules when it comes to consideration of whether or not such direct selection is justified with regard to the direct appointment of the Bank itself. Therefore, the derogation from the PP&R is requested and was considered at FOPC dated 20 October 2022.

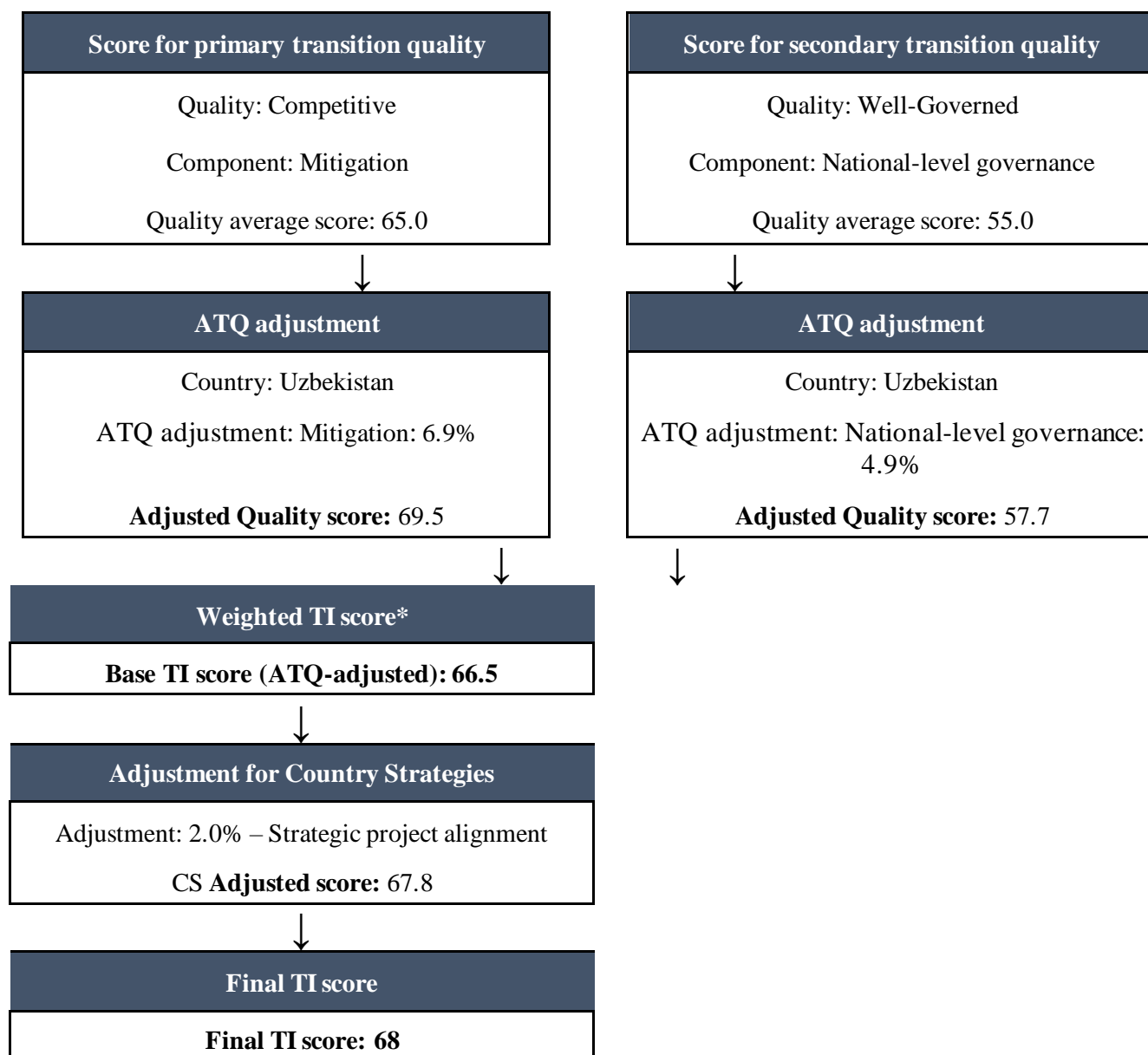
ANNEXES TO OPERATION REPORT

ANNEX 1	PRIORITY PPP PROJECTS UNDER UPDF
ANNEX 2	TRANSITION IMPACT SCORING CHART
ANNEX 3	PROJECT IMPLEMENTATION

ANNEX 1 – PRIORITY PPP PROJECTS UNDER UPDF (ELIGIBLE SECTORS)

№	Eligible sector name
1.	Road infrastructure (incl. tunnels)
2.	Public Schools
3.	Dormitories
4.	Kindergartens
5.	Irrigation infrastructure (incl. pumps)
6.	District Heating
7.	Traffic Management and Parking
8.	Airports
9.	Water and Waste Water infrastructure

ANNEX 2 - TRANSITION IMPACT SCORING CHART



*The Primary Quality score is weighted 75 per cent for the calculation of the Base TI Score. The Secondary Quality is weighted 25 per cent.

ANNEX 3 – PROJECT IMPLEMENTATION

Procurement classification: *Public sovereign*

[REDACTED]. Within the Government, MoEF is responsible for facilitating the PPP projects. [REDACTED]. Taking into account the desire to ensure successful introduction of PPPs in the country, the Government requested the Bank to manage the Project on its behalf to mitigate such low capacity risk.

Contracts risk assessment – Low

The Project consists of only consultancy contracts, which are very low risk contracts if the ToRs are clear upfront, especially regarding the expected deliverables and their timing and output quality. However, the availability of the qualified experts on the Bank's and Borrower's side to timely review and accept the consultants outputs will be critical to avoid any delays and cost overruns.

Procurement arrangements:

The proposed Project structure envisages that procurement of consultancy services using the proceeds of the Bank's loan will not be handled by the RoU, as would be the case in a typical Bank financed sovereign project. Instead, the loan proceeds will be contributed to the UPDF Fund and it will be the Bank that will handle procurement of consultancy services with EBRD administering and managing the UPDF Fund (including selecting, contracting and paying consultants working on the preparation of PPPs in Uzbekistan). Taking into account that the Bank will select, contract and manage the consultants using the resources of the UPDF Fund, such procurement of consultants will be conducted in accordance with the Bank's Corporate Procurement Policy, which apply to the Bank-led procurement. The key implication of applying the Corporate Procurement Policy is that the Bank will be responsible for procurement and any consequences while in case of applying Bank's PP&R such responsibility fully rests with the client. Procurement methods are more or less the same but are handled through a different procurement portal, SMART GEP instead of ECEPP.

The Project involves only procurement of consultancy services and respective standard procurement documents as available from PODD shall be used with the e-procurement portal used for the Bank's consultancy selections. The Bank's PPP Advisory Unit under SI3P with the assistance of the PPAD's PIA, dedicated to Uzbekistan, and PODD will manage the selections and subsequently signed contracts.

Delivery arrangements:

A pool of consultants, encompassing the expertise required in technical studies, legal due diligence, financial and commercial assessment and environmental and social studies, would be preselected for the implementation of the UPDF ("Framework of Consultants").

Broadly, the EBRD will have one (1) pool of empanelled consultants covering all the areas of the expertise required to achieve the facility's objective. Once the pool of consultants are selected the EBRD will enter into an agreement with each preselected consultant forming part of the pool ("Framework Agreement"). This agreement will govern the terms and conditions for the empanelment of a consultant as part of the framework that will be governed under the facility. For

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each project, that has been selected and approved, the EBRD will initiate a separate procurement limited to the empanelled consultants. On culmination of this project specific, limited, procurement and the subsequent negotiations, the EBRD will issue a contract to the selected consultant specific to the project call-off.

For any expertise that the Framework of Consultants do not offer, external consultants will be sourced via the usual, open, procurement process in line with EBRD Corporate Procurement Policy.

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