DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT

Approved by the Board of Directors on 28 May 2026[1]

UZBEKISTAN

GRCF3 W2 - NUKUS E-BUS PROJECT

[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 (2024), 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.

TABLE OF CONTENTS

Page

ABBREVIATIONS / CURRENCY CONVERSIONS

CAS	Credit Adjustment Spread
EIRR	Economic Internal Rate of Return
E&S	Environmental and Social
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESP	Environmental and Social Policy
GCAP	Green City Action Plan
GDP	Gross Domestic Product
GET	Green Economy Transition
GHG	Greenhouse Gases
GrCF3 W2	Green Cities Framework 3 – Window II
IFI	International Financial Institution
MoT	Ministry of Transport
PIS	Project Implementation Support
PIU	Project Implementation Unit
PP&R	EBRD's Procurement Policies and Rules
PSC	Public Service Contract
RoU	Republic of Uzbekistan
SEP	Stakeholder Engagement Plan
SIF	Sustainable Infrastructure Fund
SSF	Shareholder Special Fund
TC	Technical Cooperation
TI	Transition Impact
ToR	Terms of Reference
UZS	Uzbekistan Som

CURRENCY CONVERSION
(as of 31 March 2026)

USD 1 = UZS 12,211
EUR 1 = USD 1.1523

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 of up to USD 50 million (EUR 43.4 million) for the benefit of a state-owned public transport company incorporated in the Republic of Uzbekistan, which will be designated as the Project Company.

The operation will enable the Republic of Uzbekistan to support the initial deployment of electric buses ("e-buses") and introduce public electric mobility in the city of Nukus (the "City"). This will involve the acquisition of up to 112 e-buses with charging units as well as the construction of associated e-bus depot infrastructure (the "Project").

The Project is a trigger investment under the Green Cities Framework 3 – Window II ("GrCF3 W2"), initiating Nukus' participation in EBRD Green Cities and developing its Green City Action Plan ("GCAP"). Through the Nukus GCAP, the City will identify and prioritise its most pressing climate and environmental challenges, and define the measures, namely investments and policy actions, to address them.

The Project will deliver transition impact through the *Green* quality and the *Well-governed* quality. The Green quality will derive from the introduction of e-buses, supported by a reduction in greenhouse gas ("GHG") emissions, tail pipe air pollutant emissions and noise pollution. The *Well-governed* quality is based on the reform programme towards a modern, integrated bus network. The Project is 100 per cent GET eligible, based on the GHG emissions reduction. It is also gender additional based on the incorporation of gender equality considerations across the GCAP development process and outputs, as well as the development of an Equal Opportunities Policy and Action Plan.

The pre-signing technical cooperation ("TC") for the Project preparation was funded by the Sustainable Infrastructure Fund. The post-signing TCs will support corporate development and GCAP preparation and will be proposed for funding to international donors. Should no other funding source be secured, a funding request will be submitted to the Shareholder Special Fund. The Project's implementation support will be loan-funded.

I am satisfied that the operation is consistent with the Bank's Strategy for Uzbekistan, the Infrastructure Sector Strategy, the Green Economy Transition ("GET") 2030 Strategy, the Strategy for the Promotion of Gender Equality, the Equality of Opportunity Strategy (2021-25) and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

UZBEKISTAN – GrCF3 W2 - NUKUS E-BUS PROJECT - DTM 55627 Framework: REGIONAL – GREEN CITIES 3 – WINDOW II - DTM 55845	
Transaction / Board Decision	Board approval[2] is sought for a sovereign loan of up to USD 50 million (EUR 43.4 million) in favour of the Republic of Uzbekistan (the "RoU" or the "Borrower") to finance the acquisition of up to 112 electric buses with charging units and the introduction of required depot infrastructure in the city of Nukus (the "Project"). The Project is the trigger investment under Green Cities Framework 3 – Window II ("GrCF3 W2"), initiating Nukus participation in EBRD Green Cities and the development of a Nukus Green City Action Plan ("GCAP").
Client	The RoU is the borrower. A state-owned public transport company designated as the Project Company will be the Project's beneficiary. The Project will be implemented by the Project Implementation Unit (the "PIU") at the Ministry of Transport of the Republic of Uzbekistan (the "MoT").
Main Elements of the Proposal	<u>Transition impact</u> − Primary Quality – Green. The Project supports a shift to electric mobility to significantly reduce greenhouse gas emissions, tail pipe air pollutant emissions and noise pollution. It also contributes to a modal shift from private to public transport by improving the safety and reliability of public bus services. − Secondary Quality – Well-Governed. The Project supports ongoing sector reforms towards a modern, integrated bus network, including corporate development of the Project Company, preparation of a Public Service Contract ("PSC") and assistance to the transport authority in integrating private operators. <u>Additionality</u> − The Bank offers longer-term financing, which is presently not available from commercial banks. − The Bank will support the client in achieving higher standards (e.g. PP&R, ESAP, GCAP). − Through Nukus's GCAP, the Bank will support the city with long term green and sustainable planning which also covers digital, as well as gender and economic inclusion considerations. − The Bank will support the client in achieving higher gender equality standards through the development and implementation of an Equal Opportunities Policy and Action Plan. <u>Sound banking</u> − A sovereign loan. [REDACTED]
Key Risks	<u>Project implementation / completion risk</u>. The risk of the potentially weak implementation capacity will be mitigated by the involvement of an experienced Project Implementation Support and supervision consultant. <u>Borrower's creditworthiness</u>. The RoU is a creditworthy borrower, rated BB by Fitch, BB- by S&P and Ba3 by Moody's. Its public debt is low and sustainable. <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.
Strategic Fit Summary	The proposed Project will promote the environmental sustainability in the urban public transport in line with the Bank's Infrastructure Sector Strategy and the Strategy for Uzbekistan. The Project fully supports the Bank's GET 2030 Strategy and is aligned with the Strategy for the Promotion of Gender Equality and the Equality of Opportunity Strategy (2021-25).

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

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	A sovereign loan of up to USD 50 million (EUR 43.4 million) to the Republic of Uzbekistan (the "RoU") for the benefit of a state-owned public transport company incorporated in the Republic of Uzbekistan and acceptable to the Bank, which will be designated as the Project Company and subordinated to the Ministry of Transport of the Republic of Uzbekistan (the "MoT"). The loan will support the electric buses ("e-buses") rollout in the City of Nukus (the "City"), i.e. the deployment of initial set of up to 112 e-buses with charging units and the introduction of required e-bus depot infrastructure connected to the electricity grid with power supply sufficient to operate the new fleet (the "Project"). The Project will serve as the trigger investment under the GrCF3 W2 for the City to join EBRD Green Cities and develop its GCAP.
Existing Exposure	Sovereign exposure to the RoU as of 31 March 2026: Portfolio is USD 1,509.9 million (EUR 1,310.3 million; 19 projects) [REDACTED]
Maturity / Exit / Repayment	A tenor of 18 years [REDACTED]
Potential AMI eligible financing	None
Use of Proceeds – Description	The loan proceeds will be used to finance the following categories: 1. Capital Expenditure: - supply of c.a. 112 e-buses with charging units; and - construction of the depot, including administrative buildings and operating and maintenance facilities equipped with solar PVs [REDACTED], installation of charging units, connection of the depot to the grid as well as the supply of maintenance equipment. 2. Technical Support during Project implementation, including: - for works supervision, pre-shipment inspection of e-buses, as well as procurement support - the Project Implementation Support (the "PIS") consultancy services. 3. Contingency for both capital expenditure and technical support components. 4. Front-end Fee.
Investment Plan	[REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	• the Republic of Uzbekistan as the Borrower; • the MoT via the PIU as the Project Implementing Agency; • the Ministry of Transport of Karakalpakstan; • the Project Company as the Beneficiary; • the City Khokimiyat as the key counterpart for the GCAP.
Conditions to subscription / disbursement	[REDACTED]
Key Covenants	[REDACTED]
Security / Guarantees	Sovereign loan.
Other material agreements	n/a
Associated Donor Funded	**A. Technical Cooperation (TC)** Pre-signing:

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<tr><td>TC and Blended Concessional Finance</td><td>

TC 1: Feasibility Study including: (i) technical and economic feasibility of the e-bus fleet and related facilities (depot location, land availability and utilities connections); (ii) e-bus supply market and technology assessment; (iii) project scoping, costing and investment plan, based on demand and operational study; (iv) calculation of emissions benefits and the economic internal rate of return; (v) environmental and social (including gender) due diligence; (vi) recommendations for bus operational structure and maintenance arrangements; and (vii) verification of technical specification for fleet and concept design for the depot. [REDACTED]

<u>Post-signing:</u>

TC 2: Green City Action Plan – GCAP development for the City to identify and prioritise investments, provide capacity building support and develop policy objectives in support of the green agenda. The GCAP will cover digital, economic inclusion and gender equality elements. [REDACTED]
TC 3: Corporate Development and Capacity Building Programme to help the Borrower in corporate development of the Project Company and capacity building of the transport authority, including: (i) support in defining the appropriate operating set-up and contractual arrangements (for both operating and fleet leasing scenarios); (ii) support for organisational arrangements and all necessary processes, procedures and routines for service planning, organisation and monitoring of operations, maintenance and repair of the fleet; (iii) assistance to prepare a detailed service plan including timetables and drivers schedules; (iv) assistance with negotiations, signing and implementation of the Public Service Contract ("PSC"); (v) capacity building of the transport authority under the MoT to implement and monitor the PSC of e-bus service operations in Nukus; and (vi) development and implementation support of an Equal Opportunities Policy and Action Plan. [REDACTED]

[REDACTED]
B. Blended Concessional Finance
None.
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INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Uzbekistan is experiencing rapid urbanisation, with nearly half of its population now residing in urban centres. However, this demographic shift has not been accompanied by proportional investment in public transportation infrastructure. Decades of underfunding have resulted in urban areas lacking efficient, reliable, and accessible transit systems capable of supporting the growing mobility demand. As household incomes rise, private vehicle ownership has increased, becoming the common mode of transport. This trend has contributed to higher traffic congestion, deteriorated air quality, and an increase in greenhouse gas ("GHG") emissions, presenting challenges for sustainability and overall quality of life in the country's cities.

Nukus, the sixth largest city in Uzbekistan and the capital of Autonomous Republic of Karakalpakstan, is undergoing steady development, supported by Government efforts to improve regional infrastructure and quality of urban services. As a growing administrative, cultural, and economic centre of the region, the City faces increasing demand for efficient and environmentally sustainable public transport. The proposed Project will significantly enhance the availability and quality of public transport services. It will also mark an important step towards establishing a modern, fully electric bus network in Nukus, contributing to reduced air pollution and improved urban mobility.

The Project will contribute to decarbonisation of Nukus' transport sector and mitigate the impacts of climate change as well as improve environmental conditions by reducing air and noise pollution and GHG emissions. It will also contribute to a more efficient, transparent, and integrated urban transport system, supported by technical assistance for corporate development of the Project Company focusing on effective governance, operations and service delivery, increased accountability under the PSC as well as strengthening the transport authority to oversee implementation and integration of bus services, including multiple private operators.

The Project forms part of a larger initiative aimed at enhancing the sustainability of Nukus. It will serve as a trigger investment under GrCF3 W2, formally initiating the City's participation in EBRD Green Cities, with a commitment to develop a GCAP. The GCAP will identify a range of priority climate and environmental challenges facing the City, as well as the investment and policy actions across multiple sectors that are needed to address these challenges. It will also cover digital, gender and economic inclusion considerations. Nukus will be the second city in Uzbekistan to join EBRD Green Cities, after Samarkand, which joined with a trigger Samarkand Electric Bus project in 2023 and completed the development of GCAP in 2024.

By being involved in the Project, the EBRD will also support the Government of Uzbekistan to implement its national strategy to transition to a green economy[3] which sets phasing-out of hydrocarbon fuel and stimulating the development of electric transport among the transport sector priorities.

The Project is consistent with the Green Economy Transition ("GET") 2030 Strategy and qualifies for 100 per cent GET. It is aligned with the Infrastructure Sector Strategy which articulates the importance of scaling up high GET-impact investments in all infrastructure sectors, including urban transport, and promotes investments in electric public transport to support the global path towards a low-carbon economy. The Project complies with the Bank's Strategy for Uzbekistan, which calls for the promotion of green energy and resource efficient modernisation of municipal infrastructure services, potentially, in conjunction with the Green Cities Initiative. It is also aligned with the Bank's Strategy for the Promotion of Gender Equality and the Equality of Opportunity Strategy (2021-25). The Project further contributes to many UN Sustainable Development Goals (SDGs), namely: *SDG 5. Gender Equality*, *SDG 9. Industry, Innovation and Infrastructure*, *SDG 11. Sustainable Cities and Communities, SDG13. Climate Action, SDG 17. Partnerships for the SDGs*.

1.2 TRANSITION IMPACT

The GrCF3 represents a strategic and multi-project approach seeking to help identify and address climate and environmental challenges in selected cities in our countries of operation. The primary goal is to achieve significant climate and environmental improvements and to promote the Green transition quality within the relevant cities. In addition to the environmental objective, the GrCF3 also promotes sustainable cities through inclusive,

[3] 04.10.2019, "Strategy for the transition of the Republic of Uzbekistan to the green economy for the period 2019-2030",

resilient, well-governed and smart urban development. Depending on which area can generate the strongest and most relevant transition impact, Well-governed, Inclusive, Resilient, Competitive or Integrated will be pursued and presented as the secondary transition quality for sub-Projects under the framework. Relevant follow-on sub-Projects might have only one quality (Green). These transition objectives are supported by the development and implementation of a city-specific GCAP aiming to identify climate and environmental challenges, facilitate better coordination and buy-in among stakeholders and help to prioritise and develop the best ways to address the climate and environmental challenges through targeted investments, services and policy instruments.

The Project will *primarily* promote the **Green** transition quality by supporting a shift to high quality public transport and electric mobility in the City. It will therefore contribute to decarbonisation of the City's transport sector and mitigating the impacts of climate change as well as improving environmental conditions by reducing air and noise pollution and GHG emissions. [REDACTED] Thus, the Project is eligible for inclusion under the GrCF3 W2.

The Project will also support the **Well-governed** objective through supporting the implementation of the national public transport reform initiative within the city of Nukus. This will be achieved through: (i) supporting the establishment and corporate development of a public transport operator (with high levels of corporate governance, operational readiness, and service delivery); (ii) the development of a PSC; and (iii) supporting the transport authority with the wider reform process including guidance on the management and integration of third party (private) operators into the urban transport system. These objectives will primarily be achieved through the Corporate Development and Capacity Building Programme ("CDCB Programme").

Delivery risks: to transition impact relate to: (i) physical implementation of the Project, (ii) development and implementation of GCAP recommendations, including follow-on investments, (iii) implementation of CDCB Programme. These risks are mitigated by: (i) advance procurement of the PIS consultant securing early retention of technical support to the Project Company and the PIU; (ii) advance procurement for the depot construction to facilitate implementation; (iii) the EBRD Green Cities' experience of engagement with cities to ensure their 'buy-in' and ownership of the GCAP process; and (iv) the MoT's commitment to support the implementation of the CDCB Programme.

1.3 ADDITIONALITY

Identified triggers	**Description**
No triggers identified	n/a
Additionality sources	**Evidence of additionality sources**
Financing Structure – 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 an 18-year [REDACTED] Such terms are not currently available from commercial banks.

Risk mitigation – EBRD helps the client to mitigate **carbon transition risks** and take climate action, such as to move along a low carbon transition pathway.	[REDACTED] Without the Bank's participation, higher environmental standards might not have been pursued.
Standard-setting: helping Projects and clients achieve higher standards – Client seeks/makes use of EBRD expertise on **higher inclusion and gender standards and/or equal opportunities action plans.** – Client seeks/makes use of EBRD expertise on **best international procurement standards**.	– Application of the EBRD PP&R with the hands-on PPAD Project Implementation Advisor's support enables the client to achieve a more efficient implementation timeline and the most economically advantageous long–term outcomes, through amongst others applying the life-cycle cost evaluation methodology. – The GCAP incorporates gender equality and economic inclusion considerations across its development process and outputs. – The CDCB Programme will support the Project Company in designing and implementing an Equal Opportunities Policy and Action Plan. This is aimed to boost women's participation in the male-dominated sector by improving their recruitment, retention, and career advancement opportunities.
Knowledge, innovation, and capacity building – 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 EBRD has extensive urban transport sector knowledge and long-standing relationship (including policy dialogue) with the MoT and the City and ability, through the GCAP development process, to pursue the green agenda and contribute to successful Project implementation.

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Borrower's creditworthiness	Medium/ High	The RoU is a creditworthy borrower rated BB with a stable outlook by Fitch and S&P, and Ba3 by Moody's with a positive outlook. Uzbekistan's government debt is low and sustainable. By the end of 2025, external government debt was estimated at 31.9 per cent of GDP. It is expected that the country will meet its financial obligations. Strong foreign exchange reserves, low rollover risk from long-term maturities, and plans to limit public debt commitments help mitigate debt distress risks.
Implementation risk	High/ Medium	Experienced technical consultant(s) will assist the PIU with the Project's implementation, including procurement, works supervision and pre-shipment inspection. Application of EBRD PP&R and the Bank's prior review of the key procurement documentation and decisions should ensure selection of experienced and creditworthy contractors and suppliers to perform the works and the balanced contracts conditions used.
FX risk	Medium/ High	The RoU is expected to be able to manage the FX risk effectively. It has stable hard currency inflows from exports, ample liquid external assets and significant gold reserves.

2. MEASURING / MONITORING SUCCESS

Transition Impact Monitoring Indicators and Benchmarks

Primary quality: Green

Obj. No.	Monitoring Indicator	Details	Baseline	Target	Due date	TC-related?
1.1	Recommended policy or strategy or regulatory framework/standard agreed by relevant stakeholder	Nukus's GCAP is sent to the City Council (or equivalent) for approval including an implementation and monitoring strategy.	N	Y	[REDACTED]	[REDACTED]
1.2	Total Population benefitting (individuals)	Total Population benefitting from improved public transport services (daily passengers)	0	39,873	[REDACTED]	[REDACTED]
1.3	Physical Implementation Indicator	Total number of buses delivered	0	112	[REDACTED]	[REDACTED]
1.4	Annual reduction in tonnes of CO_2 equivalent savings (tonnes CO_2 eq / yr)	[REDACTED]	0	[REDACTED]	[REDACTED]	[REDACTED]

Secondary quality: Well-governed

Obj. No.	Monitoring Indicator	Details	Details for Specific Sub-Project	Baseline	Target	Due date	TC-related?
2.1	Number of Public Service Contract ("PSC"), Service Level Agreement ("SLA"), or	A new / updated service PSC, SLA, or PSO in line with international practices is developed and signed (not a revision to an existing contract and/or agreement) and respected by the parties during the first 2 years of the contract – and where	A PSC for the e-bus operation is signed	N	Y	[REDACTED]	[REDACTED]

	Public Service Obligation ("PSO") signed and implemented	such contract is not a norm in the country.					
2.2	Priority policy actions implemented	Develop and implement a well-defined CDCB Programme that introduces governance and operational standards, structures bus leasing and depot management arrangements and supports communication strategies and training programmes to ensure effective reform implementation.	A CDCB Programme, including Project Company's operational set-up, corporate development plan, and capacity building of the transport authority, is effectively implemented	N	Y	[REDACTED]	[REDACTED]

Additional Indicators

Objective	FW level aggregate indicator	Indicator (sub-Project)	Details (Sub-Project)	Baseline (Sub-Project)	Target (Sub-Project)	Due date (Sub-Project)	TC-related?
Gender SMART	Number of Cities in which Gender-responsive GCAPs was agreed	Recommended policy or strategy agreed by relevant stakeholder(s)	The GCAP for Nukus includes a gender assessment, which aggregates the analysis and information gathered throughout the GCAP development (such as gender-disaggregated data, and the analysis the gender specific needs and barriers in access to services and infrastructure in cities in the various sectors covered by the GCAP 2.1 methodology), and the recommendations to address gender and inclusion in the City (as subset of Green city actions) that are the results of the analysis.	N	Y	[REDACTED]	[REDACTED]
Gender SMART	Number of stakeholders with practices improved (e.g. inclusive infrastructure services/design, inclusive human resources ("HR") policies and practices, equal opportunities, inclusive procurement practices)	Relevant stakeholders will develop and adapt new or substantially improved policies and practices to accommodate previously excluded target groups, on topics such as infrastructure service delivery and design (accessibility, safety and security, etc.), HR policies and practices, support for equal opportunities and/or inclusive procurement approaches.	As part of the Project, an Equal Opportunities Policy and Action Plan will be developed and implemented to improve gender balance in recruitment, retention, and career progression.	N	Y	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER

The Borrower is the Republic of Uzbekistan. An overview of the Borrower's creditworthiness is presented in Section 5.1.

3.2 IMPLEMENTING AGENCY

The MoT will lead Project implementation in close coordination with the Ministry of Transport of Karakalpakstan and the Project Company. A dedicated PIU will be established within the MoT, with key personnel funded and delegated / hired by the MoT. Representatives of the Ministry of Transport of Karakalpakstan at the PIU will be funded from respective budget. The PIS consultancy will be loan funded. The MoT and the Project Company will assist the PIU in reviewing the Project's technical parameters, operational and maintenance needs, and staff training. The Project Company will sign Project contracts and coordinate with the regional and municipal authorities on all local approvals related to Project assets and facilities.

3.3 PROJECT COMPANY

A state-owned public transport asset holder and operator established by the Ministry of Transport will be designated as the Project Company. The Company's operational capacity, along with its corporate governance policies and procedures, will be developed with the support of the loan-funded PIS consultant and grant-funded CDCB Programme.

The Project Company will remain fully reliant on external financial support until the deployment of the new e-bus fleet and the commencement of revenue-generating services. The Project Company's assets will include the land allocated for the future depot site, as well as e-bus fleet and depot infrastructure upon their delivery and commissioning.

In the initial phase, the Project Company will directly operate the fleet. Subsequently, with the CDCB Programme consultant's assistance, the MoT and the Project Company will prepare a contractual framework for competitively tendered fleet leasing to a private operator under a gross-cost PSC. The leasing arrangements will include use of the depot (parking, charging, and maintenance facilities), which will remain under the Project Company's ownership and operation.

4. MARKET CONTEXT

Urban public transport services in Nukus are regulated by the MoT, through its territorial administration, i.e. the Ministry of Transport of Karakalpakstan, and regional transport departments. The MoT is leading a sector reform to enhance transparency, optimise revenue management, and support the deployment of modern fleets through improved operational standards. Recent introduction of performance-based gross-cost contracting model supported by the roll-out of digital fare collection system is central to this initiative.

Nukus' public transport system consists of 27 routes, served by approximately 350 minibuses and 12 medium size buses provided by multiple private operators, each managing between 5 and 30 vehicles. The market is fragmented, with small operators relying on aging fleets and limited operational capacity. The lack of scale and modernisation reduces service quality and efficiency. Operators' readiness for large-scale e-bus deployment is unconfirmed, while adopting e-bus technology requires major investment in fleets, depot upgrades for charging infrastructure, and reliable power access.

In the current set-up, a state-backed operator is better positioned to deploy of public electric transport and overcome the challenges related to the initial e-bus rollout phase. The Project Company, supported by the CDCB Programme, will set a visible example for the market by shaping operational standards and service quality. As the institutional setup matures and local operators consolidate and upskill, the possibility to expand e-bus operation (including through fleet leasing arrangements to private operators) will draw upon the standards and practices established by the Project Company. This strategy ensures that the state-owned operator's leadership will catalyse a broader transformation, encouraging the market to converge towards higher operational and service benchmarks.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 SOVEREIGN ASSESSMENT

Real GDP growth accelerated to 7.7 per cent in 2025, driven by an expansion in the services and construction sectors. The economic growth is expected to moderate to 6.5 per cent in 2026 and 6.0 per cent in 2027 as the favourable conditions normalise. After peaking at 10.6 per cent in mid-2024 on utility tariff hikes, headline inflation eased to 7.1 per cent in March 2026 as services inflation moderated. The Central Bank of Uzbekistan expects headline inflation to be 5 per cent (i.e. its target) in 2027.

International reserves act as a strong buffer against external shocks, while gradual fiscal consolidation continues. In 2025, government debt reached USD 46.9 billion or 31.9 per cent of GDP and was predominantly external (85 per cent), with the majority of it being concessional. This debt level remains manageable relative to substantial foreign exchange reserves, which stood at USD 69 billion as of April 2026. Reserves are largely held in gold and cover around 16 months of imports.

Uzbekistan's sovereign credit profile has strengthened**.** Over the course of 2025, Fitch and S&P upgraded their ratings to BB with a Stable outlook in June and November, respectively, while Moody's revised its outlook to Positive affirming Ba3 credit rating in June. These changes in ratings were underpinned by strong economic growth prospects and ongoing reform momentum. Sovereign credit ratings remain supported by sustainable levels of public debt and substantial foreign exchange reserves.

5.2 ECONOMIC ANALYSIS

[REDACTED]

5.3 SENSITIVITY ANALYSIS

[REDACTED]

5.4 Projected Profitability for the Bank

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 Environment

Categorized B (2019 ESP). The Project will mainly have environmental and social benefits and will enhance accessibility and mobility for all user groups. It will also support overall resilience of the public transport system, improve air quality in the City and overall enhance quality, safety and efficiency of the urban transportation. Environmental and Social Due Diligence ("ESDD") was undertaken by an external international consultant together with technical due diligence. It focused on the key environmental and social ("E&S") impacts/risks and the Project Company's capacity to implement the Project in line with the Bank's Performance Requirements ("PRs"). Specific focus was on the maintenance depot, auxiliary facilities and workshops, labour practices, passenger and road safety, and driver training.

The Project area is limited to the urban area within the boundaries of current developments, and no sensitive ecological receptors or protected zones will be affected. Environmental impact is limited and mainly associated with the construction phase of the depot development.

Procurement and introduction of a new modern electric buses would require specific driver and technical maintenance training. EBRD PP&R will apply in the selection of the suppliers. Specific supply chain safeguards focusing on forced labour risks will be included into the tender documentations as part of the procurement decision and verified by external consultant. Tender specifications will be also checked to ensure inclusion of the accessibility features for vulnerable passengers.

Special requirements should apply to the Project Company and future private operators: (i) to have operational occupational safety department, with job descriptions specifying rights and responsibilities in place with required training regularly conducted for all employees, as well as maintaining the accessibility features in buses for vulnerable passengers and (ii) to provide training focused on occupational health and safety, fleet and traffic management, as well as on gender, conflict resolution and emergency response. All drivers will need to undergo general medical examination before and after their shifts.

It is confirmed that the Project will not have significant adverse social impacts to local communities or other Project affected parties. The Project will not require the acquisition of land or result in involuntary resettlement or economic displacement as construction and installation of electric charging points will be conducted within the footprint of the Project Company's depot and the current public transport routes and stops will be used.

The ESDD identified that the capacity and E&S management system of the Project Company and the future private operators will need to be improved. An Environmental and Social Action Plan ("ESAP") has been developed to address environmental compliance and reporting, enhance human resource policies, contractor and supplier management, OHS practices and standards, streamlining worker grievance mechanism, vulnerable passengers, and traffic safety for new fleet, security and risks identification and management related to GBVH, etc.

The ESAP has been agreed with the MoT. Additional capacity building support with implementation of the ESAP will be provided as part of the loan-funded PIS consultancy. The CDCB Programme consultant will be engaged to ensure that all relevant E&S requirements are transferred to the future private operators. A dedicated Stakeholder Engagement Plan ("SEP") has been developed to assist the Project Company during the Project implementation by considering and addressing the special needs of vulnerable groups, and other passengers with special needs. The environmental and social performance of the Project and implementation of the ESAP will be monitored through annual E&S reports and site visits when deemed necessary.

6.2 INTEGRITY

In conjunction with OCCO, integrity due diligence was undertaken on the MoT, its senior management 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.

ANNEXES TO OPERATION REPORT

ANNEX 1	Green Assessment
ANNEX 2	Project Implementation
ANNEX 3	Implementation Progress of Green Cities Frameworks

ANNEX 1 – GREEN ASSESSMENTS

SUMMARY

- The Project includes the supply of up to 112 electric buses and their charging units in addition to construction of a depot and associated infrastructure for operations.
- The Project is determined to be **aligned with both mitigation and adaptation goals of the Paris Agreement** based on the application of the Bank's Paris alignment approach for direct finance.
- The Project is attributed **100% Green finance** based on Green use of proceeds**.**
- The Project **will serve as the trigger investment under the GrCF3 W2** for the City to join EBRD Green Cities as *it achieves >20% reduction in GHG emissions, improves air quality indicators (compared to baseline of Project boundary) by >20% and is consistent with the substantial contribution criteria of the EU Taxonomy.*
- Climate-related financial risks have been assessed [REDACTED]

PARIS ALIGNMENT ASSESSMENT

Alignment with the mitigation goals of Paris Agreement - Direct Finance
The Project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank's Paris alignment approach for direct finance.

- The Project's activity is included in the 'MDBs' aligned list' under the category **electric and non-motorised urban mobility**.
- The Project is consistent with the substantial contribution criteria of the EU Taxonomy as the use of proceeds include **electric buses with zero tailpipe emissions**.
- There are no activities included in the 'non-aligned list'.

Alignment with the adaptation goals of Paris Agreement - Direct finance
The Project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment. Structural and non-structural measures have been recommended to mitigate flood risk.

GREEN FINANCE ATTRIBUTION

The Project is attributed 100% green finance. This share has been calculated in line with EBRD Green Economy Transition Methodology Annex 7.1. Urban and rural transport - (A.5.3.1.1. Zero-direct-emissions fleet and related infrastructure). The integration of electric buses, instead of diesel, would enable greater use of domestic electricity. Moreover, the inclusion of solar power would further enhance the system, as PV installations would add clean energy capacity to offset emissions and diversify the power mix – ultimately supporting energy security and system resilience.

[REDACTED]

[REDACTED]

ANNEX 2 – PROJECT IMPLEMENTATION

[REDACTED]A dedicated Project Implementation Adviser ("PIA") was involved in the Project's due diligence and structuring. The PIA conducted a client procurement capacity assessment using the Bank's simplified toolkit. All relevant categories - legal framework, organisation of procurement function, support/control systems, staffing, record keeping, procurement planning, procurement cycle, general assessment of the client, and Project risk have been assessed.

The Project will be implemented by the MoT through the Project dedicated PIU, building on the experience gained during implementation of Samarkand E-Bus Project. This includes the application of the EBRD PP&R, multi-stage procurement procedure and Project implementation. Additionally, the MoT has some experience in implementing similar projects financed by the Government of Uzbekistan and other IFIs.

However, the assessment identified capacity gaps within the Ministry of Transport of Karakalpakstan, which will be addressed through the establishment of the PIU. It is expected to be established following the countersignature of the financing agreements and will be staffed in accordance with the PIU guidance. It was recommended to find experts with IFI experience for the staffing of the unit as the capacity will largely depend on the qualifications, commitment and empowerment of the staff to be recruited.

Project implementation arrangements:

The Project is classified as public for procurement purposes. Accordingly, all goods, works, and consultancy services financed from the Bank's loan will be procured through Open Competitive Procedures, in accordance with requirements of Section III, Article 3 of the Bank's Procurement Policies and Rules (PP&R) for public sector operations. All consulting contracts will be procured in accordance with Section III, Article 3 of the Bank's PP&R in Competitive Selection Procedures using the Bank's Standard Procurement Documents.

[REDACTED]

[REDACTED] The PIU will be responsible for the Project's day-to-day management during the entire Project implementation period. The PIU, appropriately supported by the qualified consultants, will be responsible for, among others, preparing Project implementation plans, procurement documents and progress reports, as well as managing all contracts, including consultancy contracts, though all loan-funded contracts are to be signed by the Project Company. The Project Company as well as the MoT through the Ministry of Transport of Karakalpakstan, will assist the PIU in the Project's implementation, amongst other, review of the Project's technical parameters including future operational and maintenance requirements.

The PIS consultant will be in place to coordinate and support the PIU with all procurement activities as well as with supervision and monitoring of the Project implementation until completion. This structure should strengthen Project implementation capacity and mitigate risks related to procurement and execution delays, thereby expediting the implementation of the Project.

Contracts risk assessment

The Project's capital expenditure components will consist of two contracts - one for depot works and one for e-busses. The Works contract will be based on FIDIC Plant and Design-Build Contract (Yellow Book) and the Goods contract on EBRD's template. [REDACTED]

Procurement arrangements:

All contracts for goods, works, and services financed by the loan under the Project will be procured through open tendering using ECEPP, in line with the EBRD PP&R for public sector operations. All loan-financed contracts will be subject to prior review by the Bank.

Three loan-financed contracts are planned:

i) Project Implementation Support consultancy.

ii) Construction of a depot and external power supply system, including connection to the grid.
iii) Procurement of new e-buses, including charging stations and associated installation works.

[REDACTED]

Contract i) and ii) are envisaged to be conducted as advance procurement:

- The PIS consultants will be procured in accordance with Section III, Article 3 of the Bank's PP&R in Competitive Selection Procedures using the Bank's Standard Procurement Documents. This will be supported by an experienced framework consultant financed by PPAD. [REDACTED]
- The capex tender for the depot construction (including technical review) will be supported by a consulting firm whose contract will be financed from the Bank's budget. [REDACTED]

[REDACTED]

[REDACTED

[REDACTED]