

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

Approved by the Board of Directors on 28 May 2026<sup>1</sup>

**UZBEKISTAN**

**UTY DIGITALIZATION**

*[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]*

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<sup>1</sup> 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.

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**ABBREVIATIONS / CURRENCY CONVERSIONS**

ACAP	Anti-Corruption Action Plan
ADB	Asian Development Bank
AESR	Annual Environmental and Social Reports
CAREC	Central Asia Regional Economic Cooperation
CIS	Commonwealth of Independent States
CO2	Carbon Dioxide
CSRT	Council on Railway Transport of the CIS Member States
ECEPP	EBRD Client E-Procurement Portal
EIRR	Economic Internal Rate of Return
E&S	Environmental and Social
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESMS	Environmental and Social Management System
ESP	Environmental and Social Policy
FDI	Foreign Direct Investment
GBVH	Gender-Based Violence and Harassment
GDP	Gross Domestic Product
GET	Green Economy Transition
GHG	Greenhouse Gases
GPMP	Green Project Monitoring Plan
H&S	Health and Safety
jMDB	Joint Multilateral Development Banks
IFI	International Financial Institution
IFRS	International Financial Reporting Standards
IT	Information Technology
KPI	Key Performance Indicator
PIA	Project Implementation Adviser
PIS	Project Implementation Support
PIU	Project Implementation Unit
PP&R	EBRD's Procurement Policies and Rules
PR	Performance Requirement
PSD	Project Summary Document
RAI	Railways of the Islamic Republic of Iran
RoU	Republic of Uzbekistan
RZhD	Russian Railways JSC
SSF	Shareholder Special Fund
TC	Technical Cooperation
TCTC	Trans-Caspian Transport Corridor
TEU	Twenty-foot Equivalent Unit
TI	Transition Impact
UTY	Uzbekistan Railways JSC
UZS	Uzbekistan Som
VAT	Value Added Tax

**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 EUR 40 million for the benefit of a state-owned joint stock company "Uzbekistan Temir Yollari" (the "Company" or "UTY"), the national railway operator of Uzbekistan.

The operation will enable the Republic of Uzbekistan to support UTY's digital transformation programme. This will include the introduction of software for traffic management, transport management, and selected cybersecurity systems (the "Project") – the first major cyber-secure digital transformation project financed by the EBRD for a public sector client.

The Project will deliver transition impact through the *Competitive* quality and the *Well-governed* quality. The Competitive quality will derive from the introduction of advanced digital systems that enhance operational efficiency, transparency and service quality. This digital transformation sets new industry standards, supports safety and reliability of transportation and train traffic management, and promotes cost efficiency through digitalisation and automation. The Well-governed quality will derive from the development and adoption of the Company's Digitalisation Strategy, the enhancement of integrity and resilience through a Comprehensive Anti-Corruption Action Plan ("ACAP") as well as improved cybersecurity standards aligned with international best practices.

The pre-signing technical cooperation ("TC") for the Project preparation was funded by the EBRD Shareholder Special Fund ("SSF") under the Digital Transformation Support Programme and Israel–EBRD Cooperation Account under the Cybersecurity Resilience Programme of the EBRD Digital Hub. The post-signing TCs will support the development of a Digitalisation Strategy and implementation of ACAP and will be proposed for funding to international donors. Should no other funding source be secured, a funding request will be submitted to the SSF. The Project's implementation support will be loan-financed.

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 Bank's Approach to Accelerating the Digital Transition 2021-2025 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

<b>UZBEKISTAN - UTY DIGITALIZATION - DTM 55651</b>	
<b>Transaction / Board Decision</b>	Board approval <sup>2</sup> is sought for a sovereign loan of up to EUR 40 million in favour of the Republic of Uzbekistan (the “RoU” or the “Borrower”), for the benefit of JSC “Uzbekistan Temir Yollari” (the “Company” or “UTY”), to part-finance UTY’s digital transformation programme. This includes the introduction of software for traffic management, transport management, and selected cybersecurity systems (the “Project”).
<b>Client</b>	The RoU is the borrower. UTY is the Project’s beneficiary. UTY is a state-owned national railway operator company that provides railway infrastructure, freight and passengers’ transportation services. [REDACTED]
<b>Main Elements of the Proposal</b>	<p><u>Transition impact</u></p> <ul style="list-style-type: none"> <li>- Primary Quality – Competitive. The Project is expected to strengthen competitiveness of UTY by introducing advanced digital systems that enhance operational efficiency, safety, reliability and service quality and promotes cost efficiency through a digitalisation and automation.</li> <li>- Secondary Quality – Well-governed. The Project will support the development of the Company’s Digitalisation Strategy. It will also enhance integrity and resilience through a Comprehensive Anti-Corruption Action Plan (“ACAP”) and will support the Company in achieving improved cybersecurity standards aligned with international best practices.</li> </ul> <p><u>Additionality</u></p> <ul style="list-style-type: none"> <li>- The Bank offers longer-term financing, which is presently not available from commercial banks.</li> <li>- The Bank will support the client in achieving higher procurement and environmental standards (e.g. PP&amp;R, ESAP).</li> <li>- The Bank will support the client in achieving higher integrity and compliance standards by developing and implementing the ACAP.</li> <li>- Through Institutional support, the Bank will support the client with the Digitalisation Strategy.</li> </ul> <p><u>Sound banking</u></p> <ul style="list-style-type: none"> <li>- A sovereign loan. The Bank’s Standard Terms and Conditions apply.</li> </ul>
<b>Key Risks</b>	<p><u>Project implementation / completion risk.</u> The risk of the potentially weak implementation capacity will be mitigated by involving an experienced Project Implementation Support (“PIS”) consultant.</p> <p><u>Borrower’s creditworthiness.</u> The RoU is a creditworthy borrower, rated BB stable by S&amp;P and Fitch, and Ba3 by Moody’s. Its public debt is low and sustainable.</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> <p><u>Cybersecurity.</u> Cybersecurity due diligence is complete and agreed mitigation measures [REDACTED]</p>
<b>Strategic Fit Summary</b>	The proposed Project will promote the digital transformation of the railway transport infrastructure in line with the Bank’s Strategy for Uzbekistan and Infrastructure Sector Strategy. The Project fully supports the Bank’s GET 2030 Strategy and is aligned with the Bank’s Approach to Accelerating the Digital Transition 2021-2025.

<sup>2</sup> Article 27 of the AEB provides the basis for this decision.

## ADDITIONAL SUMMARY TERMS FACTSHEET

<b>EBRD Transaction</b>	<p>A sovereign loan of up to EUR 40 million to the Republic of Uzbekistan (the “RoU”) for the benefit of JSC “Uzbekistan Temir Yollari” (the “Company” or “UTY”), the national railroad carrier of Uzbekistan.</p> <p>The loan will support the UTY’s digital transformation programme, which includes the introduction of software for traffic management, transport management, and selected cybersecurity systems</p>
<b>Existing Exposure</b>	Sovereign exposure to the RoU as of 31 March 2026: The portfolio is USD 1,509.9 million (EUR 1,310.3 million; 19 projects) [REDACTED]
<b>Maturity / Exit / Repayment</b>	A tenor of 18 years [REDACTED]
<b>Potential AMI eligible financing</b>	None.
<b>Use of Proceeds - Description</b>	<p>The loan proceeds will be used to finance the following categories:</p> <ol style="list-style-type: none"> <li>1. Capital Expenditure: <ul style="list-style-type: none"> <li>- traffic management software system;</li> <li>- transport management software system;</li> <li>- selected cybersecurity software systems.</li> </ul> </li> <li>2. Technical Support during Project implementation, including: <ul style="list-style-type: none"> <li>- the PIS consultancy services.</li> </ul> </li> <li>3. Contingency for both capital expenditure and technical support components.</li> <li>4. Front-End Fee.</li> </ol>
<b>Investment Plan</b>	[REDACTED]
<b>Financing Plan</b>	[REDACTED]
<b>Key Parties Involved</b>	<ul style="list-style-type: none"> <li>• the Republic of Uzbekistan as the Borrower;</li> <li>• the UTY as the Beneficiary; and</li> <li>• the EBRD as the Lender.</li> </ul>
<b>Conditions to subscription / disbursement</b>	[REDACTED]
<b>Key Covenants</b>	[REDACTED]
<b>Security / Guarantees</b>	Sovereign loan.
<b>Other material agreements</b>	n/a
<b>Associated Donor Funded TC and Blended Concessional Finance</b>	<p><b>A. Technical Cooperation (TC)</b></p> <p><u>Pre-signing:</u></p> <ul style="list-style-type: none"> <li>• <b>TC 1: Digital Assessment Study</b>, including analysis of digital maturity and development of a digital action plan and a roadmap for implementation of digital transformation initiatives. The TC cost of EUR 75,000 was funded by the EBRD Shareholder Special Fund (“SSF”) under the Digital Transformation Support Programme of EBRD Digital Hub.</li> <li>• <b>TC 2: Cybersecurity Resilience Due Diligence</b>, including assessment of cybersecurity risks and development of a security plan to mitigate gaps and facilitate a secured digitalisation programme. The TC cost of EUR 30,000 was funded by the Israel–EBRD Cooperation Account under the Cybersecurity Resilience Programme of EBRD Digital Hub.</li> </ul> <p><u>Post-signing:</u></p> <ul style="list-style-type: none"> <li>• <b>TC 3: Institutional support – Digitalisation Strategy</b>, including the developing a forward-looking Digitalisation Strategy for the Company,</li> </ul>

	<p>focusing on defining, structuring, and implementing of a digitalisation strategy required to complete UTY’s transition toward a fully integrated, data-driven, and cyber-secure railway enterprise. It will also support the development of a sequenced, technically coherent, and sustainable digitalisation roadmap, including cross-system architecture, institutional governance, investment sequencing, and change-management measures. [REDACTED]</p> <ul style="list-style-type: none"> <li>• <b>TC 4: ACAP</b> development and implementation support that will enhance the integrity and compliance measures in the UTY. [REDACTED]</li> </ul> <p><b>Cost sharing:</b> [REDACTED]  <b>B. Blended Concessional Finance</b>  None.</p>
[REDACTED]	

## INVESTMENT PROPOSAL SUMMARY

### 1. STRATEGIC FIT AND KEY ISSUES

#### 1.1 STRATEGIC CONTEXT

Uzbekistan’s railway sector faces a range of structural and operational challenges that constrain its efficiency, competitiveness, and contribution to national development. Despite being a vital mode of transport for a landlocked country, handling up to 40 per cent of national freight and serving over 20 million passengers annually, its potential remains underutilised, with only 5 per cent of domestic products and 45 per cent of exports are transported by rail. The outdated infrastructure, low service quality, high operating costs and limited digitalisation further constrain performance.

Management systems remain largely analogue and reliant on manual processes, resulting in inefficiencies across freight scheduling, asset tracking, ticketing, and financial reporting. Bureaucratic customs procedures and minimal private sector involvement further reduce logistics efficiency, with Uzbekistan ranking 88th in the World Bank’s Logistics Performance Index. These factors leave the railway system at a disadvantage compared with road transport and limiting Trans-Caspian Transport Corridor (“TCTC”) development potential<sup>3</sup>.

[REDACTED]

Recognizing these issues, the Government of Uzbekistan has initiated a comprehensive reform programme for UTY’s transformation. Key initiatives include restructuring UTY into a holding company, segmenting its operations, and introducing digital solutions to modernise management systems and improve overall efficiency. This reform agenda is supported by the international financial institutions (IFIs). The World Bank is leading efforts in governance and institutional reforms, including reorganisation of UTY, modernisation of its accounting practices (including adopting IFRS), tariff improvement and strengthening corporate governance frameworks. ADB complements by supporting

<sup>3</sup> The Northern Corridor (China-Kazakhstan-Russia-Belarus-Europe) has been the most utilised overland transit corridor. In 2022 this route accounted for more than 90 per cent of total land-based container transit; approximately 386 thousand TEUs were shipped from China to Europe by rail. An alternative multimodal route, the TCTC, avoids the Russian and Belarus territories, and passes through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia and onwards to Turkiye or the Black Sea to reach Europe. In 2024, approximately 100 thousand TEUs were carried between Kazakhstani and Azerbaijani ports, accounting for 15 per cent of total container transportation between EU and Chinese hubs, representing a significant increase from 2.5 per cent in 2021. Despite the increasing utilisation rate, this route has been less competitive mainly because of the more complex logistics involving multiple countries, reloading processes as well as the Caspian Sea crossing in-between. This results in higher costs and longer transit times although it is 2,000 km shorter compared with the Northern Corridor.

tariff reforms and improvements in the Company's operational efficiency. Through this transaction EBRD aims to join these efforts with a targeted focus on a key area where its involvement is most additional and impactful – supporting UTY's digital transformation programme, helping to lay the foundation for smarter, more transparent, and efficient rail operations.

The proposed Project is a central component of UTY's digital transformation agenda, aimed at overcoming longstanding inefficiencies in traffic and transport management. It will finance the development and implementation of a modern, integrated digital platform that replaces outdated, manual systems with advanced technologies capable of real-time monitoring, automated scheduling, predictive maintenance, and centralized data management. These improvements will enable UTY to better control its operations, respond more effectively to service demands, and make informed decisions based on accurate, timely data. In addition to operational enhancements, and due to a comprehensive cybersecurity due diligence that has been conducted under the Cybersecurity Resilience Program, the Project includes immediate cybersecurity initiatives to protect critical infrastructure and ensure the integrity of digital systems in line with international standards and best practice. By modernising UTY's core operations management functions, the Project will significantly improve service reliability, safety, and cost-efficiency.

Importantly, the Project is expected to unlock and increase freight flows along the TCTC. This corridor is a strategic transit route connecting China to Europe via Central Asia, the Caspian Sea, the Caucasus, and Türkiye. As global supply chains diversify and demand for alternative routes to the Northern Corridor grows, Uzbekistan's ability to efficiently handle and dispatch transit cargo becomes increasingly critical. By digitising UTY's operations, the Project will reduce bottlenecks, improve scheduling accuracy, and enhance interoperability with neighbouring railway systems, thereby strengthening Uzbekistan's role as a key transit hub in the region. Enhanced digital capabilities will also facilitate smoother customs integration and real-time data exchange, which are essential for multimodal logistics and cross-border coordination.

EBRD's involvement will provide critical financial and technical support to ensure successful implementation, while also reinforcing institutional reforms through the development of a comprehensive Digitalisation Strategy for the Company. The Project is expected to have a strong demonstration effect for other state-owned enterprises in Uzbekistan, showcasing the benefits of digital transformation and modern infrastructure management. The Bank will also support UTY by developing and implementing a comprehensive ACAP. This helps the Company establish and enforce the necessary controls to enhance integrity, prevent corruption, and reinforce transparency and accountability across its operations.

The Project is consistent with the Green Economy Transition (the "GET") 2030 Strategy and qualifies for 70 per cent GET. It is aligned with the Bank's Strategy for Uzbekistan, which prioritizes decarbonisation, digital transition, improved governance of state-owned enterprises, and enhanced infrastructure connectivity. The Project complies with the Infrastructure Sector Strategy which emphasizes the modernization of infrastructure to improve connectivity, enhance climate resilience, and strengthen operational efficiency, and promotes investment in digital transformation across all infrastructure sectors, with a particular focus on transport. It is also aligned with the Bank's Approach to Accelerating the Digital Transition 2021-2025 by supporting the digitalisation of transport infrastructure. The Project further contributes to many UN Sustainable Development Goals (SDGs), namely: *SDG 9. Industry, Innovation and Infrastructure*, *SDG 11. Sustainable Cities and Communities*, *SDG 17. Partnerships for the SDGs*.

## 1.2 TRANSITION IMPACT

The table below sets out the TI Objectives and details of the Project. The relevant Monitoring Indicators and timing for their delivery are shown in Section 2.

### Primary Quality: Competitive

Obj. No.	Objective	Details
1.1	<i>The project promotes meaningful cost efficiency improvements (i.e. minimum 5% reduction of the cost per unit of infrastructure, regardless whether that is charged to users or taxpayers) that will be benchmarked and monitored.</i>	The Project supports UTY's digital transformation by introducing advanced technologies for transport and traffic management systems that enhance operational efficiency, transparency, and cost-effectiveness. These systems will automate and centralise dispatching, scheduling, and control processes, improving real-time decision-making, train punctuality, and rolling stock utilisation. To track progress on operational cost efficiency, the operating cost per tonne-kilometer will be monitored as a key metric.

### Secondary Quality: Well-Governed

Obj. No.	Objective	Details
2.1	<i>A study, strategy or plan aimed at improving the operational efficiency will be developed as part of the project.</i>	The Project includes the development of a comprehensive Digitalisation Strategy for the Company, outlining clear steps toward digital transformation and laying the groundwork for future investment in systems such as ERP, CRM, and passenger information platforms. The implementation of this strategy is expected to drive further cost efficiency through the adoption of advanced digital systems that enhance the operational performance, transparency and service quality for the Company.
2.2	<i>A comprehensive anti-corruption compliance programme, including the establishment of an effective compliance function responsible for oversight throughout the client's operations, will be implemented. This is to be defined in an anti-corruption action plan, developed in collaboration with the Office of the Chief Compliance Officer (OCCO), and will be formally agreed as part of the Project by way of covenant or condition precedent.</i>	The Bank will support UTY to create and implement the required controls to enhance integrity and help prevent corruption in its operations. [REDACTED]
2.3	<i>The project helps the client achieve industry accepted standards for cyber resiliency and/or higher cybersecurity/data protection regulatory compliance (e.g., ISO 27001, NIS and/or GDPR compliance or equivalent)</i>	The Project includes implementation of priority cybersecurity initiatives and investment addressing different dimensions of immediate cybersecurity risks of UTY as identified by the cybersecurity resilience due diligence.

**Delivery risks:** [REDACTED] there is a risk that implementation of the TI objectives may face delays. However, this risk is mitigated by (i) the engagement of an experienced PIS consultant to provide timely technical support to the Company and the PIU; and (ii) the EBRD's support through a dedicated TC programme, which is designed to facilitate an efficient and structured digital transformation process.

**Digital Approach:** The Project is aligned with the Adaptation area of intervention outlined in the EBRD Approach to Accelerating the Digital Transition 2021-2025; the Project's digital component and the post-signing Digitalisation Strategy TC are in support of the *Competitive* quality as outlined above and in the TI monitoring indicators below. The Project's cybersecurity component is in support of the *Well-governed* quality as outlined above and in the TI monitoring indicators below.

### 1.3 ADDITIONALITY

Identified triggers	Description
No triggers identified	n/a
Additionality sources	Evidence of additionality sources
<b>Financing Structure</b> <ul style="list-style-type: none"> <li>– EBRD offers a tenor and a grace period, which is above the market average and is necessary to structure the project.</li> <li>– 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.</li> </ul>	<ul style="list-style-type: none"> <li>– EBRD will provide a loan with an 18-year tenor [REDACTED] Such terms are not currently available from commercial banks.</li> </ul>
<b>Standard-setting: helping Projects and clients achieve higher standards</b> <ul style="list-style-type: none"> <li>– Client seeks/makes use of EBRD expertise on <b>best international procurement standards</b>.</li> </ul>	<ul style="list-style-type: none"> <li>– Application of the EBRD PP&amp;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.</li> </ul>
<b>Knowledge, innovation, and capacity building</b> EBRD provides expertise, innovation, knowledge and/or capabilities that are material to the timely realisation of the project's objectives, including support to <b>strengthen the capacity of the client</b> .	<ul style="list-style-type: none"> <li>– The EBRD has extensive transport sector knowledge and long-standing relationship (including policy dialogue) with the Ministry of Transport of the Republic of Uzbekistan, enabling it to effectively guide UTY's digitalisation programme and support successful project delivery.</li> </ul>

### 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, supervision and monitoring. 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 suppliers to perform the services 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 sufficient to cover around 16 months of imports.
Cybersecurity risk	Medium/ Medium	A thorough cybersecurity due diligence has been completed under the Cybersecurity Resilience Program, and the necessary mitigation controls have been agreed with the UTY [REDACTED]

## 2. MEASURING / MONITORING SUCCESS

### Transition Impact Monitoring Indicators

#### Primary Quality: Competitive

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Operational performance of the client: efficiency	Traffic management system is implemented – dispatch control system for managing mainline train traffic	No	Yes	[REDACTED]
1.2	Operational performance of the client: efficiency	Transport management system is implemented – carrier transportation operations management system	No	Yes	[REDACTED]
1.3	Operational performance of the client: efficiency	Decrease in operating costs per tonne-km (EUR cent/ton-km)	[REDACTED]	[REDACTED]	[REDACTED]

#### Secondary Quality: Well-Governed

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
2.1	Recommended policy or strategy or regulatory framework/ standard agreed by relevant stakeholder(s)	Digitalisation Strategy is developed and adopted	No	Yes	[REDACTED]
2.2	Practices of the relevant stakeholder improved anti-corruption action plan	ACAP is developed and implemented	No	Yes	[REDACTED]
2.3	Improved cybersecurity standards	Cybersecurity control coverage expanded to more digital assets thanks to related investment into cybersecurity software	No	Yes	[REDACTED]

2.4	Demonstrated quantitative evidence of client's improved cyber resilience	Reduction in number of known vulnerabilities and system misconfigurations facing the Internet.	[REDACTED]	[REDACTED]	[REDACTED]
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### 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 COMPANY

UTY is the national railway operator of Uzbekistan established in 1994. The sole shareholder of the Company is the Republic of Uzbekistan.

UTY owns, manages and develops the railway infrastructure across Uzbekistan. Its rail network spans approximately 6,950 kilometres, of which around 2,700 kilometres are electrified, and 600 kilometres are designated for high-speed rail services. Uzbekistan Railways provides a wide range of services including passenger transportation through high-speed trains such as the Afrosiyob, long-distance and regional trains, as well as freight services that support the movement of industrial goods, agricultural products, minerals, and cotton. The Company plays a vital role in the country's logistics and transportation sector, handling over 21.8 million passengers and transporting more than 33 million tonnes of cargo annually. It employs up to 65,000 people. [REDACTED]

### 4. MARKET CONTEXT

Uzbekistan's railway sector is a core component of the national transport system and a strategic part of the TCTC and the Central Asia Regional Economic Cooperation ("CAREC") Corridor 2. UTY operates as the state-owned monopoly, responsible for infrastructure, freight, and passenger services across the network. The market is thus highly centralised, with no private rail operators domestically, and competition is primarily external from road transport inside Uzbekistan and from neighbouring state-owned railways (Kazakhstan Temir Zholy, Russian Railways, and Turkmen Railways) in the regional transit space.

Uzbekistan's railway network spans about 7,000 km of track and uses the 1,520 mm gauge, ensuring interoperability with neighbouring countries. The network integrates with Kazakhstan Temir Zholy to the north, Turkmen Railways to the west, and Tajikistan to the southeast, forming a vital link for regional trade and transit. Domestically, it connects all major regional centres, serving as the backbone of national mobility.

The sector plays an essential role in Uzbekistan's economy, handling up to 40 per cent of national freight and serving over 21.8 million passengers annually. Rail is particularly important for bulk commodities such as minerals, cotton, and agricultural products, as well as for transit traffic connecting China, Central Asia, and Europe.

The regulatory environment remains state-driven, with tariffs and passenger subsidies set by the RoU.

## **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

Category B (2019 ESP). The proposed Project does not involve expansion of the physical network or new operations. It is financing software for traffic management, transport management, and selected cybersecurity systems. The environmental and social due diligence (“ESDD”) focused primarily on the use of proceeds as well as a review of corporate E&S and Health and Safety (“H&S”) management practices of the Company. The ESDD was conducted in-house using an ESDD questionnaire, review of supporting materials for the Company’s environmental and social management system (“ESMS”), review of the independent Digital assessment study including a Digital Roadmap developed for the Project, and additional follow up questions on H&S.

UTY has experience with IFIs and maintains robust systems for H&S, environment, quality, supply chain, and stakeholder engagement, including ISO 14001 certification and AA1000-based engagement. Indicators are in place and subsidiaries report on them to the Company quarterly or annually. Training provided to staff includes environmental management. Corporate Responsibility and Stakeholder Engagement is based on the AA1000 principles. Supply Chain Management and Sustainable Procurement procedures, already in operation across current facilities, will be applied to the Project.

The Company provides both passenger and freight transportation covering the entire country and currently employs ca 65,000 people. There is an ongoing programme of organisational transformation assisted by other lenders.

The proposed investment is focused on digital transformation and will help UTY modernise Transport Management and Traffic Management Systems, improve operational safety through automated alerts and centralised traffic control, including cyber security with improved protection of critical systems. The Company is required to design transparent organisational change management and implement an effective worker grievance mechanism. If any risk of retrenchment is identified during designing the digital programme, then required consultation with the workers and the unions, staff re-training and redistribution of responsibilities in line with EBRD PR2 and retrenchment plan that are included in the ESAP will be implemented. Additionally, the Digital Road map developed by a consultant during the due diligence, which sets out the requirements for specific software required, will be further detailed via the post-signing Digitalisation TC looking into people’s retraining and upskilling.

UTY has reported that institutional mechanisms for gender-related complaint handling and victim protection are in place. This includes hotlines, shelters, protection orders, law enforcement procedures, judicial remedies, and the Ombudsman’s office. Workplace grievance handling includes confidentiality and victim protection requirements. However, despite the national legal framework being aligned with EBRD GBVH requirements, more effective enforcement and cultural transformation will need to be addressed and ESAP has recommended a focus on behavioural change.

UTY will operate the digital government platform for grievance and request management from the public and stakeholders. This unified electronic governmental platform includes mandatory review and response timelines. However, to ensure the external grievance mechanism is not limited to digital tools, the Project will be expected to support local contact points responsible for public information and stakeholder engagement within the Company. This will be facilitated through the Company’s Citizens’ Reception Office, which provides in-person access for individuals and legal entities to submit requests, complaints, or suggestions as part of broader Project implementation support.

Technical assessment has considered cybersecurity risks to human rights associated with the Project, finding that the capacity and capability of UTY is generally adequate, and putting forward specific additional recommendations to mitigate risks. UTY's information security policy was formally approved in 2023 and endorsed by the State Security Service, confirming alignment with national regulatory requirements. Project implementation support will be in place in addition to project financing and will cover personal data protection requirements in the Digital Road Map.

The Company has evidenced well-developed Operational Rail Safety procedures in-line with the Plan-Do-Check Act model, which are considered in-line with the principles of ISO 45001. Level crossings are the biggest cause of fatalities on the Company's railways. A risk assessment process is in place for them, and awareness campaigns are held.

The Project is considered aligned with the mitigation goals of the Paris Agreement as it pertains to rail infrastructure, which is included in the jMDB 'aligned list'. The Project is considered aligned with the adaptation goals of the Paris Agreement as exposure of the associated hardware to flood risk and extreme temperatures can be mitigated by suitable siting and use of standard design measures. The Project enhances the overall resilience of rail transport to climate change impacts by enabling faster adaptation to service disruptions and more reliable operations during adverse weather. [REDACTED]The Project is therefore eligible for 70 per cent green finance attribution, which represents the share of the relevant use of proceeds.

The Project will be monitored through Annual Environmental and Social Reports ("AESR") and updates on the implementation of the Digital Road Map.

## **6.2 INTEGRITY**

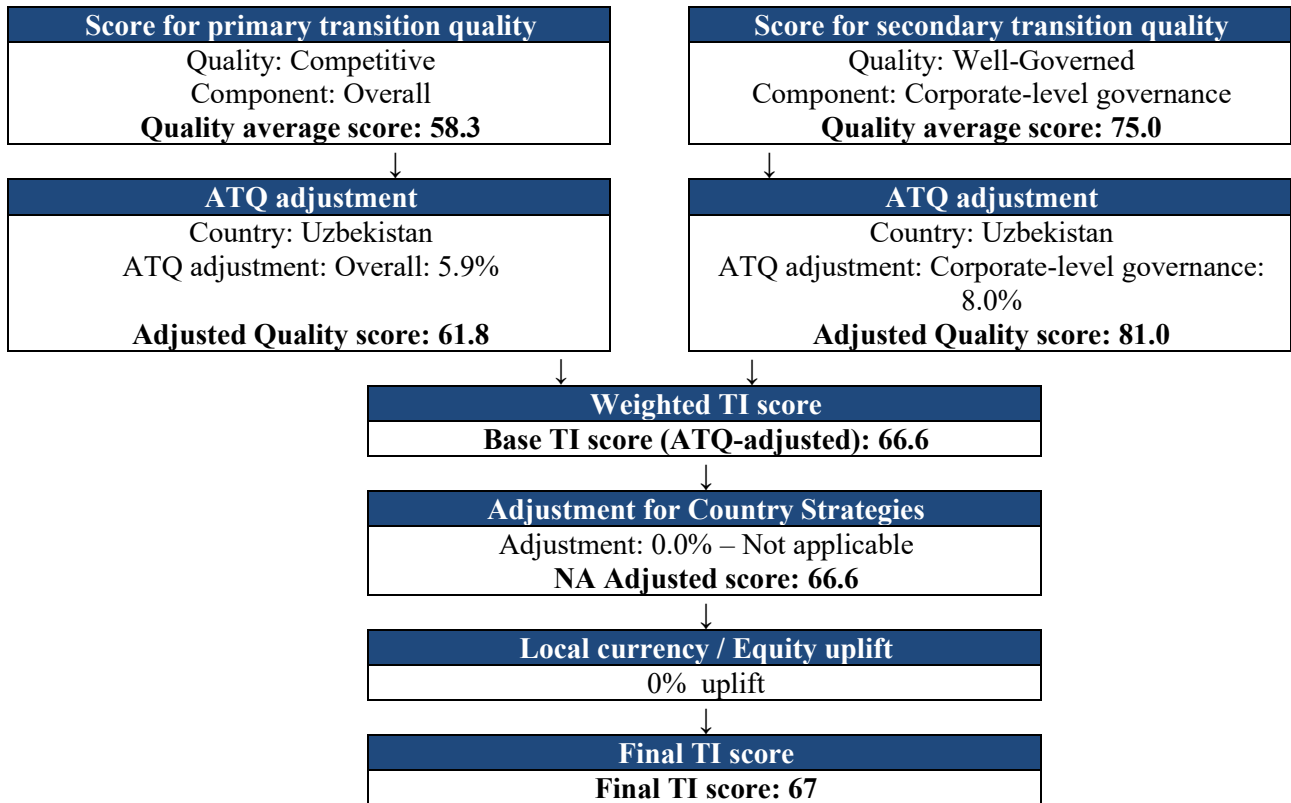
In conjunction with OCCO, integrity (including sanctions) due diligence was undertaken on the UTY, its senior management and other relevant parties. [REDACTED]

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. The Project files contain the integrity checklists and other required documentation. These have been properly and accurately completed to proceed with the Project.

**ANNEXES TO OPERATION REPORT**

ANNEX 1	Transition Impact Scoring Chart
ANNEX 2	Green Assessment
ANNEX 3	Project Implementation

## ANNEX 1 - TRANSITION IMPACT SCORING CHART



## ANNEX 2 – GREEN ASSESSMENTS

### SUMMARY

- The Project is support UTY’s digital transformation programme. This will include the introduction of software for traffic management, transport management, and selected cybersecurity
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- The Project is attributed 70 per cent **Green finance.**
- As a sovereign transaction, climate-related financial risks were not assessed at the project level.

### PARIS ALIGNMENT ASSESSMENT

#### *Alignment with the mitigation goals of Paris Agreement - General screening*

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 “Rail Infrastructure”. The proposed digital system for automated and centralized train traffic management directly supports the safe and efficient operation of the railway network. It therefore falls under the jMDB PA category “**Rail infrastructure,**” specifically covering modernization and digitalization of rail traffic management and control systems.
- There are no activities included in the 'non-aligned list'.

#### *Alignment with the adaptation goals of Paris Agreement*

The Project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment. Although it involves digital and automated traffic management systems, its core components are software-based and not materially exposed to direct physical impacts from climate hazards such as extreme heat or flooding. Any associated hardware (servers, control centres, communication networks) can be protected through standard design and siting measures already applied in rail and IT infrastructure. Therefore, the potential exposure of this investment to climate risks is limited, satisfying steps 1 & 2. In terms of the step 3 assessment, by improving monitoring, control, and responsiveness of train operations, the system enhances the overall resilience of rail transport — enabling faster adaptation to service disruptions, better resource management under stress conditions, and more reliable operations during adverse weather events.

### GREEN FINANCE ATTRIBUTION

The Project is attributed 70 per cent green finance, corresponding to the share of the investment directly associated with the Transport Management Systems and Traffic Management Systems [REDACTED] as a share of total financing [REDACTED]. The Project falls under **Category 7.2 – Low-carbon inter-urban transport.** By improving the efficiency and throughput of the rail network through digital Transport and Traffic Management Systems, the investment enables a shift of freight volumes from road to rail, a lower-carbon transport mode. Conservative estimates indicate potential avoided emissions [REDACTED], consistent with the project’s contribution to climate change mitigation through improved operational efficiency and modal shift.

[REDACTED]

## ANNEX 3 – PROJECT IMPLEMENTATION

### Procurement classification – *Public sovereign*

[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 UTY through a Project dedicated PIU, which will be established within the Company’s Transformation Office. This department already has several experts covering project management, finance & accounting, procurement & supplier management as well as IT expertise. While the Company has experience with IFI projects, this will be the first IT project in this context [REDACTED]. The Company is generally well-versed in procurement procedures, and an internal tender commission overlooks all procurements, including sign-off of tender documents, evaluations and contracts. Evaluations are strictly based on the criteria and requirements published in the tender documents.

#### *Project implementation arrangements:*

The Project is classified as public for procurement purposes. Accordingly, all goods 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] The Company envisages to fill the PIU positions with the aforementioned staff of its Transformation Office who have experience with IFI-financed projects. [REDACTED] Their responsibility will be the Project’s day-to-day management during the entire implementation period, including management of environmental and social aspects as per project’s Environmental and Social Action Plan (ESAP), preparing Project implementation plans, procurement documents, evaluation and progress reports, as well as managing all contracts, including consultancy contracts, though all contracts are to be signed by the Company.

[REDACTED] the PIU will be appropriately supported by qualified consultants. These PIS Consultant will be in place to coordinate and support the respective PIU with all procurement activities as well as with supervision and monitoring of the Project implementation until completion. This structure should strengthen Project implementation ability and mitigate risks of procurement and Project implementation delays, while significantly speeding up the implementation of the Project.

#### *Contracts risk assessment*

The Project's capital expenditure components will consist of three IT components: traffic management system, transport management system and cybersecurity systems. As many IT companies might not be able to sign the EBRD standard form of contract and the goods template does not cover specific requirements of IT services, the most suitable contract form must be determined before the start of the procurement. [REDACTED]

[REDACTED]

***Procurement arrangements:***

All contracts for goods and services financed by the loan under the Project will be procured through multistage 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.

Four Bank-financed contracts are planned:

- Project Implementation Support Consultant
- Traffic Management System
- Transport Management System
- Cybersecurity Systems

[REDACTED]